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Supreme Court, U.S.
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No. 93-416

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

BANFF, LTD.,

Petitioner,

vs.

COLBERTS, INC., and TAMARA IMPORTS,
a division of COLBERTS, INC., and
TAMARA IMPORTS, INC.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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52 pp

COUNTERSTATEMENT OF ISSUE PRESENTED FOR REVIEW

Whether a plaintiff alleging trademark infringement under the Lanham Act may recover the profits of the alleged infringer when there is no evidence of consumer confusion or willful infringement but rather repeated concessions that plaintiff did not incur any actual damage.

LIST OF PARTIES AND RULE 29.1 STATEMENT

The caption of the case in this Court lists all parties to the proceeding in the United States Court of Appeals for the Second Circuit, whose judgment is sought to be reviewed. Respondents, Colberts, Inc. and Tamara Imports, a division of Colberts Inc., and Tamara Imports, Inc., are privately held corporations which have no parent companies, subsidiaries or affiliates that have issued shares to the public.

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No. 93-416

In The

SUPREME COURT OF THE UNITED STATES

October Term 1993

BANFF, LTD.,

Petitioner,

vs.

COLBERTS, INC., and TAMARA IMPORTS, a division of COLBERTS, INC., and TAMARA IMPORTS, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

Respondents, Colberts, Inc. and Tamara Imports, a division of Colberts, Inc.; and Tamara Imports, Inc., respectfully request that this Court deny the Petition for A Writ of Certiorari seeking review of the decision of the United States Court of Appeals for the Second Circuit.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Second Circuit is reported at 996 F.2d 33 (2d Cir. 1993) and is reproduced in the Appendix at A1-7 in the Petition for a Writ of Certiorari.[1] The judgment of the United States Court of Appeals for the Second Circuit is reproduced in the Appendix at A8 in the Petition for A Writ of Certiorari. The opinion of the United States District Court for the Southern District of New York is reported at 810 F. Supp. 79 (S.D.N.Y. 1992) and is reproduced in the Appendix at A10. The judgment and decision of the United States District Court for the Southern District of New York are reproduced in Petitioner's Appendix at A12 and A13.

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[1]References to Petitioner's Appendix are denominated as A1-A21. References to Respondents' Appendix are denominated as Aa-Ae.

STATUTES INVOLVED

Lanham Act §22 (15 U.S.C. §1072):

> Registration of a mark on the principal register provided by this chapter. . .shall be constructive notice of the registrant's claim of ownership thereof.

Lanham Act §29 (15 U.S.C. §1111):

> Notwithstanding the provisions of section 1072. . ., a registrant of a mark registered in the Patent Office, may give notice that his mark is registered by displaying with the mark . . . ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered unless the defendant had actual notice of the registration.

Lanham Act §35(a) (15 U.S.C. §1117(a)):

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled. . . subject to the principles of equity, to recover (1) defendant profits, (2) any damages sustained by plaintiff, and (3) the costs of the action. . . . In assessing profits, the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. . .

STATEMENT OF THE CASE

Summary of Facts and Procedural Background.

Petitioner, Banff, Ltd., ("Petitioner") commenced this action alleging that respondents, Colberts, Inc., and Tamara Imports, a division of Colberts, Inc. and Tamara Imports, ("Respondents") sold women's clothes with labels that bore the name Vanessa. Petitioner alleged that it owned the federally registered trademark Vanessa and that respondents infringed the trademark in violation of the Lanham Act. Respondents denied all allegations of wrongdoing and specifically denied intentional infringement of the Vanessa trademark.

Respondent, Colberts, is a family run chain of retail stores selling moderately priced women's apparel.

Respondent, Tamara Imports, is a separately run division of Colberts which sells women's apparel at wholesale prices to retail stores including Colberts. In the spring of 1987, the vice president of Colberts proposed that Tamara Imports begin selling garments with a Vanessa label. This name was chosen out of admiration for the actress Vanessa Redgrave and without any knowledge of petitioner's federally registered trademark. Respondent was completely unaware of the existence of petitioner's trademark at the time it began using the name Vanessa on its clothing. (Ab(i)-(ii).)

In October 1991, four years after respondents began using the name Vanessa, petitioner commenced the instant lawsuit. Upon receipt of the complaint, respondents learned that

Vanessa was a federally registered trademark owned by petitioner and terminated future use of the Vanessa label. (Ab(i), Ac.) Respondents offered to enter into a permanent injunction precluding the use of the name Vanessa on Colberts' products. (Ab(i)-(ii).) Despite respondents' efforts to resolve this matter, petitioner pursued this lawsuit.

A jury trial was held before Honorable Robert L. Carter on July 10, 1992 in the United States District Court for the Southern District of New York. Petitioner's recitation of the legal theories presented to the District Court is misleading. Petitioner presents a neat package of three enumerated legal theories which it claims were presented to the District Court. In fact, petitioner's presentation of the legal

issues and evidence at trial was random and disorganized. Petitioner was continuously admonished by Judge Carter to present all evidence concerning its claims to the jury. The court continuously cautioned petitioner that it had not presented any evidence of consumer confusion, unjust enrichment or intentional willful infringement. (Ad(i)-(iv), Ae(i)(ii).)[2]

The jury returned a special verdict finding that petitioner had failed to prove that the respondents had willfully infringed petitioner's trademark. (A3.) After the jury announced its verdict, petitioner then requested the court's permission to present oral argument on its unjust enrichment claim and its

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[2]Petitioner conceded at trial that there was no evidence of consumer confusion or lost sales as a result of respondents' innocent use of the Vanessa label. (Aa.)

statutory notice claim. (A3.) Following a brief oral argument, the District Court ruled in favor of the respondents and dismissed petitioner's claims. The District Court relied upon well established precedent which requires proof of intentional misconduct or consumer confusion before allowing a profits recovery in a trademark infringement suit.[3] The District Court entered a final judgment on the verdict dismissing petitioner's complaint. (A 10.)

Petitioner then moved, pursuant to Federal Rule of Civil Procedure 59(e), for an amendment of the judgment to

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[3]Petitioner insinuates that it was sandbagged by the District Court's reliance on George Basch Co., Inc. v. Blue Coral, Inc., 968 F.2d 1532 (2d Cir.), cert. denied 113 S.Ct. 510 (1992). George Basch merely summarized established legal precedent concerning the burden of proof necessary to justify a profits recovery in infringement suits. George Basch did not create new law.

include a permanent injunction and a monetary award. Respondents cross-moved for an award of attorney's fees under the Lanham Act. Respondents argued that the case was "exceptional" inasmuch as petitioner's claims were unfounded and prosecuted in bad faith. Respondents argued that petitioner did not present any evidence of willful infringement and that petitioner failed to produce a shred of evidence demonstrating that it had suffered any damage whatsoever. The District Court denied petitioner's motion without opinion (A12) and denied respondents' cross-motion in a written decision. (A13 - A17.) In its decision, the District Court noted that while petitioner's legal theories were misguided and its pre-trial tactics imprudent, petitioner's conduct was insufficient to establish bad faith to

justify an award of attorney's fees under the Lanham Act. (A16.)

Petitioner timely appealed from the judgment of the District Court. Petitioner did not seek to set aside the jury's verdict finding no evidence of willful infringement nor did it assert as error any of the District Court's instructions to the jury.[4] Respondents filed a cross-appeal seeking reversal of the District Court's denial of its motion for attorney's fees.

The Court of Appeals affirmed the District Court's judgment in all respects. The Court of Appeals

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[4]Petitioner's appeal was a transparent attempt to cure its trial errors and failure of proof concerning willful infringement and actual damages. Indeed, petitioner attempted to raise on appeal an issue not raised at trial; namely, a "failure to search claim." The Court of Appeals rejected petitioner's contentions and petitioner has not sought review of these rulings.

concluded that "there was no evidence in the trial of customer confusion, of deliberate infringement, of lost sales, or any other actual damage." (A4.)[5]

In affirming the District Court's judgment, the Court of Appeals did not create new law, depart from established precedent, or develop a new burden of proof concerning profits recovery in infringement suits. Rather, the Court of Appeals properly applied well established legal principles to the specific facts of this case. Petitioner's laborious attempt to demonstrate a divergence of authority among the Circuits concerning profits recovery in infringement cases is

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[5]The Court of Appeals also affirmed the District Court's denial of respondents' motion for attorney's fees holding that "the Record does not support a finding that the Court abused its discretion in declining to award attorney's fees to the defendants." (A7.)

unconvincing. For the reasons which follow, respondents respectfully request that the Court deny the Writ.

REASONS FOR DENYING THE WRIT

A. The Court of Appeals Applied Well Established Precedent And Concluded That Petitioner Is Not Entitled To An Award Of Profits Because The Jury Found, And The Evidence Proved, That Respondents Did Not Willfully Infringe Petitioner's Federally Registered Trademark.

Petitioner's elaborate attempt to present an important or novel question of law which warrants review by this Court is not legally sustainable or factually credible. The Court of Appeals' reliance on well established precedent concerning profits recovery does not depart from congressional mandate, this Court's rulings or precedent in other Circuits. To the contrary, the Court of Appeals' ruling in this case was fact specific and based

exclusively on the finding that "there was no evidence in the trial of customer confusion, of deliberate infringement, of lost sales, or any other actual damage." (A4.)

Petitioner's statement that "the Second Circuit held that Congress overruled this Court's decision in Mishawaka", completely distorts the Court of Appeals' holding in this case.[6] The Court of Appeals simply held that petitioner did not meet its burden of proof and, having accepted the jury's finding of no willfulness, petitioner could not recover respondents' profits. (A1-7.) In examining the factual, legal and policy

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[6]In addition, petitioner's statement that "Congress overruled this Court's decision in Mishawaka", is factually incorrect. Indeed, Congress does not overrule Supreme Court decisions. Congress enacts legislation pursuant to its authority to do so granted under the United States Constitution.

arguments presented by petitioner, the Court of Appeals focused upon petitioner's complete failure of proof and the jury's finding of no willful infringement by the respondents.

The Court of Appeals reiterated its recent holding in George Basch Co. v. Blue Coral, Inc., 968 F.2d at 1532, where the court clearly articulated the standard of proof necessary to support a profits recovery in a trademark infringement action. The Court of Appeals reasoned that "in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception." Id. at 1534 (A5.) Acknowledging that petitioner did not challenge the jury's verdict finding no willful infringement by respondent, the Court of Appeals

concluded that the District Court's judgment was appropriate.

With respect to petitioner's claims of unjust enrichment and statutory notice, the Court of Appeals again referred to its recent decision in George Basch. (A5.) The Court of Appeals reiterated, "as stated in George Basch, 'a profits award, premised on a theory of unjust enrichment requires a showing of actual consumer confusion, or at least proof of deceptive intent, so as to raise the rebuttable presumption of consumer confusion.'" (A5.) At trial, petitioner did not produce a shred of evidence concerning consumer confusion and in fact conceded that it did not suffer lost sales as a result of respondents' use of the Vanessa label. (Aa.) Accordingly, the Court of Appeals

affirmed the District Court's judgment in all respects. (A4-6.)

In a footnote, the Court of Appeals noted that petitioner's reliance on Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203 (1942) was misplaced. (A5.) The Court of Appeals explained that to the extent Mishawaka, which was decided prior to the enactment of the Lanham Act, is inconsistent with §35 "it is no longer good law." (A5.) The Court of Appeals did not hold that Congress overruled this Court's decision in Mishawaka. To the contrary, the Court of Appeals acknowledged that petitioner's reliance on Mishawaka, "for the proposition that a defendant has the burden of disproving unjust enrichment in the absence of a finding of willful infringement," was erroneous. (A5, n.1.)

Petitioner has truly mis-characterized the Court of Appeals' footnote. Petitioner's motives in so doing are obvious. However, petitioner's transparent attempt to present a novel question of law which warrants review by this Court must be rejected.

This Court's decision in Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947) dispelled the notion that an accounting would be justified without evidence of actual injury to the plaintiff and the existence of

fraudulent intent by the defendant.[7]

The Court explained:

> Mishawaka Rubber & Woolen Mfg., Co. v. S.S. Kresge Co., 316 US 203, . . . states the rule governing an accounting of profits where a trademark has been infringed and where there is a basis for finding damage to the plaintiff and profit to the infringer. But it does not stand for the proposition that an accounting will be ordered merely because there has been an infringement.

Id. at 130-131 (Emphasis added.)

While some commentators have cited Mishawaka to support an accounting of

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[7]In his award winning article James Koelemay noted that the Court in Champion Spark Plug cited several factors which governed the propriety of an accounting including; "the existence of fraudulent intent by the defendant, evidence of actual injury to the plaintiff, and the likelihood of profits having accrued to the defendant due to the infringement". James M. Koelemay, Jr., Monetary Relief For Trademark Infringement Under the Lanham Act, 72 Trademark Rep. 458, 478 n. 122 (1982).

profits in the absence of fraudulent intent, other commentators have rejected this interpretation as erroneous.[8]

Here, as the jury verdict confirms, there is no basis for awarding respondents' profits to petitioner. Even Mishawaka does not support a profits award in this action since it is clear that petitioner did not prove infringement, nor did it prove that it suffered any damages.

Petitioner's policy arguments concerning the regulation of potential windfall recoveries in infringement cases is another transparent attempt to

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[8]Koelemay, supra note 7 at 478, n. 122 (citing, Developments in the Law-Trade-Marks and Unfair Competition, 68 Harv. L. Rev. 814, 866 (1955); Paul H. Hubbard, Monetary Recovery Under the Copyright, Patent, and Trademark Acts, 45 Tex L. Rev. 953, 978 (1967), 58 Trademark Rep. 560,587 (1968), for the proposition that Mishawaka allows an accounting of profits without proof of fraudulent intent.). Mr. Koelemay concludes that "this interpretation is erroneous."

invoke this Court's discretionary jurisdiction. The result reached by the Court of Appeals in this case does not endanger the carefully balanced regulatory framework and recent Court decisions interpreting this framework. There can be no doubt that the Court of Appeals carefully considered the substantive protections bestowed upon the public through the Lanham Act as distinguished from the mere procedural protections the Lanham Act provides to trademark owners. Clearly, the Court of Appeals was mindful of the adverse consequences which could result from allowing a profits recovery where neither intent to deceive nor actual consumer confusion is present.

Petitioner's suggestion that it is entitled to recover respondents' profits by simply demonstrating that respondents

sold products bearing a registered label is tantamount to strict liability. Taking petitioner's argument to its logical conclusion would encourage meritless lawsuits by plaintiffs who are unable to prove damages and who are not harmed by consumer confusion.

Petitioner advocates windfall recoveries based solely on evidence demonstrating the use of a federally registered trademark. This result would not foster competition, the premier goal of the Lanham Act. Rather, it would encourage big business and corporate leaders to manipulate the market and discourage competition with the threat of expensive and protracted trademark litigation. Such a result would directly contravene the congressional intent to foster competition while protecting goodwill and preventing diversion of

trade through misrepresentation. See S. Rep. No. 1333, 79th Cong., 2d Sess. 1274 (1946).

The result reached by the Court of Appeals in this case is consistent with the congressional mandate as embodied in the Lanham Act and does not merit review by this Court.

B. The Court of Appeals' Decision Does Not Conflict With The Decisions Of This Court Or The Decisions Of Other Circuits Requiring Proof Of Fraudelent Intent To Sustain Profits Recovery.

Contrary to petitioner's misleading arguments, the Court of Appeals did not confuse the burden of proof, did not reject established precedent and did not create a new burden of proof concerning profits recovery. The Court of Appeals adopted the reasoning of many earlier cases holding that an accounting for profits is available "only if the

'defendant is unjustly enriched, if the plaintiff sustained damages from the infringement, or if the accounting is necessary to deter a willful infringer from doing so again.'"[9] The Court of Appeals reviewed well established precedent governing profits recovery and concluded that, "willful deceptive conduct is a necessary basis, a prerequisite for an award of profits." (A5.) Inasmuch as petitioner completely failed to sustain its burden of proof, could not show confusion, and accepted the jury's finding of no willfulness, the Court of Appeals

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[9]See George Basch v. Blue Coral, 968 F.2d at 1538 (citing Burndy Corp. v. Teledyne Indus., Inc., 748 F.2d at 772 (monetary relief for unjust enrichment "is rarely granted and appears to have been limited to situations in which the defendants's profits represented unjust enrichment from diversion of business which clearly otherwise would have gone to plaintiff.") (quoting W.E. Bassett Co. v. Revlon, Inc., 435 F.2d 656, 664 (2d Cir. 1970)); Hamilton Brown Shoe Co. v. Wolf Brothers & Co., 240 U.S. 251, 259, 261 (1916) (where imitation of mark is fraudulent, plaintiff may recover profits "attributable to defendant's use of the offending mark."))

correctly held that a profits award could not be based on the theory of unjust enrichment, or any other theory.

Despite petitioner's protestations to the contrary, George Basch, did not represent a dramatic change in trademark law. In George Basch, the Court of Appeals analyzed the historical changes in the law concerning profits recovery, recognizing that;

> In varying degrees, a finding of defendant's intentional deceptiveness has always been an important consideration in determining whether an accounting was an appropriate remedy.

Id. at 1539.

The Court of Appeals adopted the view of the American Law Institute which requires a finding of willful infringement in order to sustain a profits recovery. Id. at 1540 (citing Restatement, §37(1)(a)) ("One...is

liable for the net profits earned on profitable transactions resulting from [the infringement], if, but only if, the actor engaged in conduct with the intention of causing confusion or deception...".) The Court of Appeals concluded;

> We believe that [a willfulness] requirement is necessary to avoid the conceiveably draconian impact that a profits remedy might have in some cases. While damages directly measure the plaintiff's loss, defendant's profits measure the defendant's gain. Thus, an accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense.

Id. at 1540 (Emphasis in original.)

The Court of Appeals in this case, relying on its decision in George Basch, did not alter the right to monetary relief under the Lanham Act, it merely applied established precedent to the facts of this case. Petitioner's

inability to meet its burden of proof and establish damage, willful intent to deceive and/or consumer confusion foreclosed it from profits recovery. The Court of Appeals' decision is consistent with established precedent.

The authority cited by petitioner does not demonstrate a conflict among the Circuits concerning profits recovery in trademark actions. Analysis of the authority cited demonstrates that court decisions which interpret the Lanham Act apply essentially equitable principles to the specific facts of each case; the statute so commands. Thus, it follows that each decision will turn on the particular facts before the court.

The cases cited by petitioner confirm that proof of damage is essential to sustain profits recovery. Petitioner

has not cited any compelling reason for this Court to grant Certiorari. None of the cases cited by petitioner conflict with the Court of Appeals decision here.

The profits award affirmed by the Seventh Circuit in Roulo v. Russ Berrie & Co., 886 F.2d 931 (7th Cir. 1989), cert. denied, 493 U.S. 1075 (1990), was based on "evidence of intentional imitation and the substantial similarity between the two card lines". Id. Indeed, the court acknowledged that "where plaintiff seeks an award of damages, plaintiff must show that the defendant's infringement caused those losses." Id. at 941. The Seventh Circuit's acknowledgement that general equitable considerations govern an award of profits does not conflict with the Court of Appeals decision in this case. An award of profits is only appropriate

when the plaintiff can prove that the defendants' infringement caused specific losses. Id.

In Williamson-Dickie Co. v. Davis Mfg. Co., 251 F.2d 924 (3d Cir. 1957), the court acknowledged the burden of proof necessary to sustain an accounting for profits in a trademark infringement action. The Third Circuit's holding in Williamson-Dickie is consistent with the Court of Appeals' reasoning in this case. The court reasoned that:

> An accounting for profits is a form of equitable relief, and it does not follow as a matter of course upon the mere showing of an infringement. It will be denied where an injunction satisfies the equities of a case, as for example where there is a clear showing that no profit was made.

251 F.2d at 927.

Similarly, the award of profits in Wolfe v. National Lead Co., 272 F.2d 867 (9th Cir. 1959), was based exclusively on a finding of deliberate and fraudulent infringement. The court specifically concluded that:

> It was not innocent,. . . . As has been judicially determined, it was a deliberate and fraudulent appropriation to himself of the good will of appellee. . . he was knowingly and deliberately cashing in upon the good will of appellee. This is such an infringement as will justify an accounting of profits.

Id. at 871.

In Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354 (10th Cir. 1954), the award of profits was based on a specific finding that Frontier was entitled to recover Blue Bell's profits "attributable to the use of the Frontier trademark. . . during the period of infringement." Id. at 362. Obviously,

the profits award was based on proof of actual damage.

Finally, the award of profits in Burger King Corp. v. Mason, 855 F.2d 779 (11th Cir. 1988) was similarly premised on the finding of intentional infringement. There, the defendant was a franchisee who continued to use the franchisor's registered trademark after he knew that his franchise had been terminated. Id. at 780.

Even the cases cited by petitioner demonstrate that proof of damages is essential to sustain an accounting for profits. Here, because petitioner was unable to prove that it suffered any damages and repeatedly conceded that it had no evidence of consumer confusion, the Court of Appeals properly affirmed

the District Court's judgment dismissing the complaint.

Petitioner's claim that a litigant seeking to commence a trademark action must first consult an "interstate roadmap" is pure fancy. The Court of Appeals' decision in this case is consistent with the history and intent of the Lanham Act. The specific language of §35 leaves to the court the task of organizing the rules of recovery into a coherent and rationale scheme; the statute provides, when a violation occurs, "the plaintiff shall be entitled,. . . subject to the principles of equity, to recover . . . ."

In assessing whether a plaintiff is entitled to recover defendant's profits, courts have been careful to avoid windfall recoveries and have required

varying levels of proof demonstrating that the infringement has caused damage to the plaintiff's goodwill developed in the mark. While each court is free to fashion recovery "subject to the principles of equity," each court decision confirms that a finding of willful infringement is the "necessary catalyst for the discouragement of illgotten profits." See Restatement (Third) of Unfair Competition §37(1)(a) (Tentative Draft No. 3, 1991). The decision of the Court of Appeals in this case is completely consistent with prior decisions applying the principles embodied in the Lanham Act.

This case does not present an opportunity for the Court to clarify conflicting decisions among the Circuits or unify the rules of recovery in trademark infringement actions. Rather,

this case presents a garden-variety trademark litigation where petitioner's proof at trial failed to meet the standard required to sustain a profits recovery.

The issues presented by this case do not warrant review by this Court.

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Dated: New York, New York
November 12, 1993

Respectfully submitted,

Nina Cangiano
Counsel of Record

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A P P E N D I X

EXCERPT FROM DISTRICT COURT PROCEEDINGS

UNITED STATES DISTRICT COURT
Southern District of New York

BANFF, LTD.,

Plaintiff,

v.

COLBERTS, INC., and TAMARA IMPORTS, a division of COLBERTS, INC., and TAMARA IMPORTS, INC.,

Defendants.

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91 Civ. 6585 (RLC)

July 10, 1992
10:12 am

Before:

Hon. Robert L. Carter,

* * *

THE COURT: You can't establish any consumer confusion because that is not in this case, there is no actual confusion. That is out of the case.

MR. ZELNICK: There is no lost sales, either your, Honor. It is stipulated.

MR. GROSSMAN: We are not contending lost sales.

* * *

RESPONDENTS' OFFER OF SETTLEMENT DATED OCTOBER 30, 1991.

October 30, 1991

BY HAND

Dennis Grossman, Esq.
Grossman & King
475 Fifth Avenue, Suite 1800
New York, New York 10017

Re: Banff, Ltd. v. Colberts, Inc. and Tamara Imports, Inc., Civil Action No. 91-6585 (RLC)

Dear Dennis:

I refer to our telephone conversation on October 24, 1991.

This will confirm the information I conveyed to you by telephone, that my clients used the VANESSA label dating back to 1985 or 1986, without any knowledge of your client's use or registration of this mark. This was an innocent mistake, inasmuch as no searches were conducted on this mark in the mistaken belief that no one could "own" the commonly used name Vanessa. My clients have had the practice of adopting attractive sounding names as labels for their clothing, without the realization that these may be trademarks that could be owned by others. To the best of my clients' knowledge and belief, no one has ever questioned whether the VANESSA label, which was used for missy sweaters and blouses, was in any way connected with your client.

In view of the totally innocent, albeit unsophisticated, behavior of my clients, this is not a case for money damages, and my clients are not willing to offer any payment to your client, in the absence of documented confusion. Considering that there has been coextensive for five or six years, with most of my clients' sales limited to their own stores, it is highly unlikely that there has been any such confusion.

I realize that you have been unsuccessful in the past with sending demand letters and obtaining favorable results from alleged infringers. In this instance, a simple letter would have sufficed. However, because you did in fact make the effort of filing a complaint, and because my clients do not challenge your client's rights in the VANESSA mark, my clients are willing to enter into a judgment on consent, without any admission of liability. If you would prepare an appropriate document, I will review it and, if it is acceptable, forward it to my clients for signature.

As we discussed, I am enclosing an original and two copies of a Stipulated Extension of my clients' time to answer for 20 days. Please sign the Stipulation on behalf of your client, and return it to me for filing with the court.

I look forward to working with you to resolve this matter on an amicable basis.

Very truly yours,

/s/

Susan Upton Douglass

Enclosure
SUD:ek

CORRESPONDENCE TO PETITIONER'S COUNSEL DATED OCTOBER 31, 1991 CONCERNING CESSATION OF USE OF THE VANESSA LABEL.

October 31, 1991

BY HAND

Dennis Grossman, Esq.
Grossman & King
475 Fifth Avenue, Suite 1800
New York, New York 10017

Re: Banff, Ltd. v. Colberts, Inc. and Tamara Imports, Inc., Civil Action No. 91-6585 (RLC)
(Our Ref: CBY USA TC-91/9038)

Dear Dennis:

I refer to the settlement proposal by my clients, embodied in my letter of October 30, 1991. I omitted to state one additional fact, which bears on your client's consideration of the settlement proposal: that as soon as the summons and complaint was received by my clients, they immediately took steps to cease all use of the VANESSA mark.

I now look forward to hearing from you with respect to the settlement proposal, namely, that my clients enter into a judgment on consent, namely, that my clients enter into a judgment on consent, without an admission of liability, in exchange for a release.

Very truly yours,
/s/
Susan Upton Douglass

Enclosure
SUD:ek

EXCERPT FROM DISTRICT COURT PROCEEDINGS

UNITED STATES DISTRICT COURT
Southern District of New York

BANFF, LTD.,

Plaintiff,

v.

COLBERTS, INC., and TAMARA IMPORTS, a division of COLBERTS, INC., and TAMARA IMPORTS, INC.,

Defendants.

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91 Civ. 6585 (RLC)

July 10, 1992
10:12 am

Before:

Hon. Robert L. Carter,

* * *

THE COURT: The problem with this is that the only thing that -- you're wasting my time, aren't you -- the only thing you presented to me for the jury instructions are the issue of willful-

ness and the profit. There is nothing in your jury instructions -- and I gathered from that that the issue that you are now arguing is an issue which is for the court -- there is nothing in the jury instructions, which is one of the reasons that I missed the fact that this was a part of your case.

MR. GROSSMAN: I apologize for that your Honor.

If your Honor is suggesting your Honor will make a decision on the issue of unjust enrichment in the form of a bench trial, that's acceptable to the plaintiff, your Honor.

THE COURT: The point about it is all that is asked of the jury is the issue of willfulness and the profits, and with regard to that you haven't asked for anything else?

MR. GROSSMAN: In addition to that, I believe your Honor's rules state the requests to charge can be amended or supplemented at any time.

THE COURT: My rules don't state that, and in this kind of a case the jury is advisory for many of the things. Much of it is going to the court.

MR. GROSSMAN: Whether it is the jury or the judge who --

THE COURT: The point is that you're going to present all of your evidence to the jury. If you have a claim of unjust enrichment, and the issue in regard to that, they claim, I had assumed -- and I gather that assumption is at least correct -- that I will decide that.

I will also decide whether,, if you can prove it was willful in damages, as to whether or not you're going to get

anything above what the jury may decide. That's how the case goes.

MR. GROSSMAN: That is acceptable to the plaintiff.

THE COURT: All right. Okay.

(Jury present and duly sworn)

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* * *

THE COURT: Are you through?

MR. GROSSMAN: Yes.

THE COURT: As I understand the law of this circuit, the burden is on

the plaintiff to establish that on the issue of unjust enrichment, to establish that, the infringer was enriched by virtue of the profits made by the diversion of the defendants' goods, that they profited from the infringement.

There hasn't been any evidence on that at all. That is not an inference at all. There is no evidence of that anywhere.

We have ended that. I'll give you five minutes and then let's have this charging conference and we'll come back after that for closing arguments.

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